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Message Text

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ORIGIN STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 STRE-00 /124 R

DRAFTED BY STR:SCOFFIELD:MM
APPROVED BY STR:RRIVERS
STATE:TO'HERRON
COMMERCE:JDAVISCE:JDAVIS
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P R 072141Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY
INFO USMISSION GENEVA

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USMTN

E.O. 11652:

TAGS: ETRD/GATT

SUBJECT: LEATHER

FOR: WILLIAM BARREDA/FROM: SHIRLEY COFFIELD

1. INFORMATION ON LEATHER WAS LEFT OUT OF YOUR MATERIALS. EXCERPTS FROM LETTERS FROM EUGENE KILIK TO AMB. STRAUSS AND TO S. COFFIELD FOLLOW. INFORMATION HAS BEEN VERIFIED BY DEPARTMENT OF COMMERCE.

2. QUOTE. DEAR AMBASSADOR STRAUSS:
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THIS LETTER IS WRITTEN TO YOU IN YOUR JOINT CAPACITY AS THE PRESIDENT'S SPECIAL REPRESENTATIVE AND AS THE PRESIDENT'S CHIEF INFLATION FIGHTER.

OUR INDUSTRY IS FACED WITH THE WORST CRISIS IN ITS LONG HISTORY. OUR PROBLEMS AND THEIR SOLUTIONS LIE IN THE

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JOINT PROVINCES UNDER YOUR RESPONSIBILITIES IN INTERNATIONAL
TRADE AND DOMESTIC PRICES. DURING THE PAST SEVERAL WEEKS
CATTLEHIDE PRICES, THE RAW MATERIAL FROM WHICH LEATHER,
FOOTWEAR AND OTHER LEATHER PRODUCTS ARE MADE, HAVE ADVANCED
TO THE HIGHEST LEVEL IN HISTORY. THEY ARE NOW ALMOST 50

HIGHER THAN THEY WERE A YEAR AGO. THIS SHARP INCREASE IS
THREATENING THE VERY EXISTENCE OF THE TANNING INDUSTRY AND
ITS CUSTOMERS AND WILL PLACE AN ALMOST IMPOSSIBLE BURDEN
ON U.S. CONSUMERS OF FOOTWEAR AND OTHER LEATHER PRODUCTS
IN THE MONTHS AHEAD.

ALTHOUGH SIMPLIFICATIONS ARE USUALLY DANGEROUS AND
MISLEADING, IN THIS CASE IT IS RELATIVELY EASY TO IDENTIFY
THE CULPRIT IN THIS SEVERE PRICE ADVANCE. THAT CULPRIT IS
THE FLIGHT OF U. S. RAW HIDES FROM OUR SHORES INTO THE
HANDS OF FOREIGN BUYERS.

IN MANY COMMUNICATIONS WITH YOU AND YOUR STAFF AT STR
IN CONNECTION WITH OUR 301 COMPLAINT AGAINST THE JAPANESE
WE HAVE OFTEN POINTED OUT THE UNFAIR TRADE CONDITIONS IN
HIDES, SKINS AND LEATHER. WE EMPHASIZE TIME AND AGAIN THAT
THE UNITED STATES PRODUCES ABOUT 15 OF WORLD CATTLEHIDES
AND YET ACCOUNT FOR OVER 75 OF WORLD EXPORTS OF CATTLE-
HIDES. WE ALSO NOTED THAT IN RETURN FOR THE EXPORTS OF
THESE CATTLEHIDES THE U.S. RECEIVED, IN TURN, IN 1977,
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ABOUT $2.6 BILLION WORTH OF LEATHER AND LEATHER PRODUCTS
THAT LED TO A U.S. TRADE DEFICIT OF ALMOST $1.8 BILLION,
ONE OF THE LARGEST DEFICIT SECTORS IN U. S. TRADE.

SO FAR THIS YEAR, CONDITIONS HAVE WORSENED CONSIDER-
ABLY FROM THE VERY POOR PERFORMANCE OF PREVIOUS YEARS.
THROUGH JUNE, BECAUSE OF A SLIGHT REDUCTION SLAUGHTER,
CATTLEHIDE AVAILABILITY HAS DECLINED ABOUT 3 . HOWEVER,
INCREASED EXPORTS OF THESE CATTLEHIDES ACCOUNTED FOR OVER
63 OF TOTAL AVAILABLE CATTLEHIDES IN THE FIRST SIX MONTHS.
IN APRIL CATTLEHIDE EXPORTS REACHED 72 OF COMMERCIAL
SLAUGHTER AND, ALTHOUGH THE EXACT FIGURES ARE NOT AVAILABLE
AS OF THIS DATE, IT IS ESTIMATED THAT JUNE EXPORTS WILL
PROBABLY EXCEED 75 OF TOTAL CATTLEHIDES. THE UNITED
STATES IS THE SOLE REMAINING COUNTRY HAVING A LARGE NUMBER
OF CATTLEHIDES THAT ALLOWS FREE ACCESS TO ITS SUPPLY.
COUNTRIES OF THE WORLD, HUNGRY FOR EMPLOYMENT IN THE
LEATHER AND LEATHER PRODUCTS INDUSTRY, HAVE RAIDED OUR RAW
MATERIAL TO STOKE THEIR FACTORIES AND, IN TURN, RETURN
SUBSIDIZED LEATHER AND LEATHER PRODUCTS TO US AT THE
EXPENSE OF OUR WORKERS, INDUSTRY AND BALANCE OF TRADE.

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THERE IS VERY LITTLE THAT THE U. S. INDUSTRY CAN DO TO PROTECT ITSELF UNDER EXISTING CONDITIONS. THE JAPANESE ARE THE LARGEST PURCHASERS OF OUR CATTLEHIDES. AS WE EXPLAINED MANY TIMES IN THE COURSE OF OUR 301 ACTION AGAINST THE JAPANESE, THE JAPANESE, BY MEANS OF QUOTAS AND HIGH DUTIES, PROTECT THEIR TANNING AND LEATHER PRODUCTS INDUSTRIES FROM

INTERNATIONAL COMPETITION. AIDED BY THE APPRECIATED YEN THEY HAVE TAKEN ALMOST 10 MORE U. S. CATTLEHIDES THIS YEAR THAN THEY DID IN THE SAME PERIOD LAST YEAR. BY DOING SO THEY HAVE, IN EFFECT, SPIT IN THE FACE OF OUR NEGOTIATORS WHO HAVE BEEN REQUESTING ACCESS FOR LEATHER INTO JAPAN IN RESPONSE TO THE COUNCIL'S 301 COMPLAINT OF A YEAR AGO. WHILE THE JAPANESE HAVE BEEN ASKING FOR MORE LIMITED OFFICIAL USE

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TIME TO "RATIONALIZE THEIR INDUSTRY" THEY HAVE BEEN RAIDING OUR REDUCED SUPPLY OF HIDES AND CAUSING HAVOC IN OUR MARKETS AND PRICES. THE JAPANESE, INSTEAD OF ACCEPTING THEIR OBLIGATIONS AS A DEVELOPED NATION TO OPEN THEIR BORDERS TO LEATHER AND LEATHER PRODUCTS, HAVE DONE JUST THE OPPOSITE.

MR. AMBASSADOR, YOU HAVE SAID THAT THE U. S. STANDS FOR FAIR TRADE. WE IN THE LEATHER INDUSTRY HAVE NOT HAD THE ADVANTAGE OF FAIR TRADE FOR MANY YEARS. PRIOR TO THE PAST FEW MONTHS' DEBACLE THIS BURDEN WAS BORNE ALONE. NOW, HOWEVER, THIS BURDEN IS ABOUT TO BE SHARED BY EVERY AMERICAN CONSUMER. WITHIN THE NEXT SEVERAL MONTHS PRICES OF FOOTWEAR AND OTHER LEATHER PRODUCTS WILL REFLECT THE SHARP ADVANCES THAT THE INDUSTRY HAS HAD TO PAY FOR ITS RAW MATERIAL. FOR EXAMPLE, WORK SHOES. THE INCREASE IN HIDE PRICES ALONE IS FORCING INCREASES IN FOOTWEAR, FROM WHATEVER SOURCE, SEVERAL TIMES GREATER THAN THE PRESIDENT'S ANNOUNCED INFLATION GOALS.

WE CALL UPON YOU AS THE NATION'S CHIEF INFLATION FIGHTER AND AS THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR TRADE TO COMBINE BOTH ROLES IN SEEING THAT THIS IMPORTANT INDUSTRY RECEIVES EQUITABLE TREATMENT IN INTERNATIONAL TRADE AND THUS ALLEVIATE AN INTOLERABLE BURDEN ON U. S. CONSUMERS OF FOOTWEAR AND LEATHER PRODUCTS. END QUOTE.

3. QUOTE. DEAR MS. COFFIELD:

AS I EXPLAINED ON THE PHONE, THE U. S. TANNING INDUSTRY AND ITS CUSTOMERS ARE IN COMPLETE CHAOS BECAUSE OF PRICE EFFECTS OF THE RECENT DETERIORATION IN OUR RAW MATERIAL SITUATION. AS SHOWN IN THE ENCLOSED TABLES, A LIMITED OFFICIAL USE

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GOOD DEAL OF THE BLAME FOR THIS CAN BE PLACED ON THE JAPANESE AND THEIR AGGRESSIVE BUYING OF HIDES IN THE FACE OF A SLIGHTLY DECREASED (ABOUT 3) OF AVAILABLE SUPPLY. IN THE FIRST SIX MONTHS OF 1978 THE JAPANESE TOOK 13 MORE HIDES THAN THEY DID LAST YEAR. THIS ACCOUNTED FOR 35 OF TOTAL EXPORTS AND 22 OF TOTAL COMMERCIAL SLAUGHTER. END QUOTE.

4. DEPARTMENT OF COMMERCE VERIFIES THE SURGE IN JAPANESE BUYING OF U. S. HIDES IN PAST FEW MONTHS AND ANTICIPATE SUCH INCREASED BUYING WILL CONTINUE.

CHRISTOPHER

NNN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LEATHER, TEXT, PUBLIC CORRESPONDENCE
Control Number: n/a
Copy: SINGLE
Draft Date: 07 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE199046
Document Source: CORE
Document Unique ID: 00
Drafter: SCOFFIELD:MM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780323-0725
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780890/aaaacxxs.tel
Line Count: 188
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 935b9a67-c288-dd11-92da-001cc4696bcc
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1816366
Secure: OPEN
Status: NATIVE
Subject: LEATHER FOR: WILLIAM BARREDA/FROM: SHIRLEY COFFIELD
TAGS: ETRD, JA, GATT, (COFFIELD, SHIRLEY), (STRAUSS, ROBERT)
To: TOKYO USMTN
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/935b9a67-c288-dd11-92da-001cc4696bcc
Review Markings:
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